

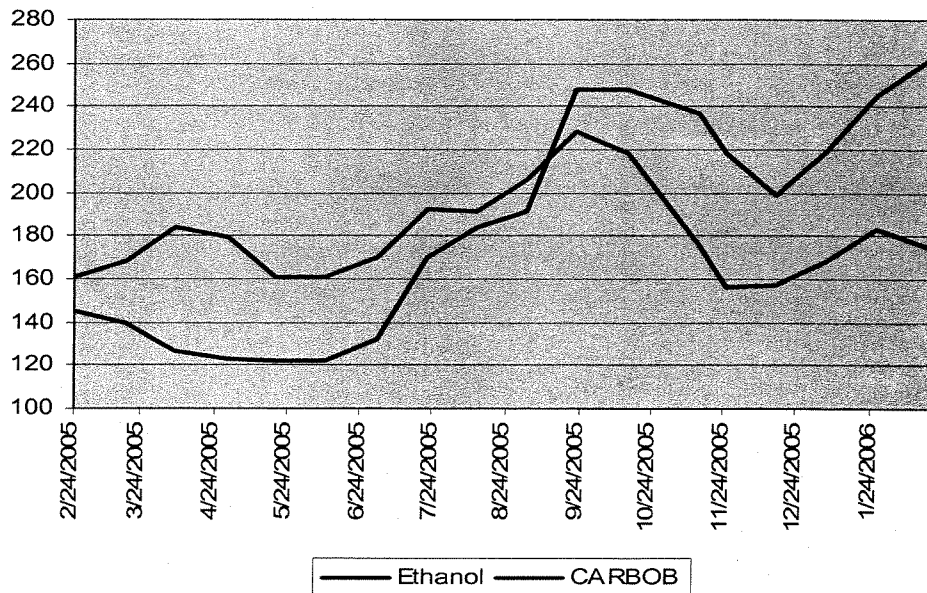
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**Mid Pac Petroleum LLC
Discussion with the Hawaii PUC
Ethanol and the Price-Cap**

MAR - 2 2006

Public Utilities Commission

LA Ethanol vs Spot Gasoline (cpg)
(Source: OPIS Fuel Ethanol & Biodiesel Report, 2/20/06)



\$/gallon	Los Angeles		New York	
	End January	Mid February	End January	Mid February
Ethanol	2.59	2.65	2.63	2.72
RBOB / CARBOB	1.93	1.65	1.66	1.40
Conventional	1.92	1.64	1.67	1.38

Source: OPIS

Issues:

1. The cost of ethanol product is materially different from gasoline
 - a. Gasoline blenders must buy on one basis and sell on something totally different
 - b. Gasoline blenders must buy in one time period and sell into a price cap set on a different period
 - c. The price of ethanol available in Hawaii may vary for ethanol buyers depending on supply/demand
 - d. The price will vary considerable if the gasoline blenders buy separately with small players at a distinct disadvantage
2. Gasoline wholesalers will incur extra costs of distribution on Oahu and on the outer islands.
3. Gasoline terminal operators and retailers will incur significant capital investment to cope with ethanol needs.